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### FOOD PRICES, THE CONSUMER AND AAA PROBLEMS

The material contained in the following pages presents factual background on the present level of food prices.

Data have been collected on the relation of the AAA programs and the drought to the present price and supply situation; the returns which present prices and supplies of food are bringing to the farmer; the level of food prices in relation to past levels and to the level of other items in the consumer's budget; and the current purchasing power of employed city workers.

The release is offered for the use of newspaper men, magazine writers, farm groups, consumers' organizations, and others to whom the expenditure and the destination of the American food dollar is a matter of concern.

Food prices, according to the index of the Bureau of Labor Statistics, stood at 121.7 percent of their prewar level on March 12, 1935. That level, while about 35 percent higher than in the mid of the depression in March, 1933, is still about 19 percent below the level of food prices in March, 1930.

When the Agricultural Adjustment Act was framed, it was evident that consumers were going to have to pay considerably higher prices for food than they



had been paying during 1932 if the farmer was to be enabled to stay in the business of feeding them.

At the same time, it was recognized that advances in price could be advantageous to the farmer only if these advances were sustained by a reasonable volume of sales. And the maintenance of volume was dependent on reemployment and city purchasing power.

It was known that farmers' returns from foodstuffs and factory payrolls varied together. It was anticipated that an increase in farm prices above their depression low level would be reflected in increased city income as renewed farm purchasing power increased the demand for city-made goods. The spiral of recovery, thus started upward, would permit consumers to pay more for foods without reducing their consumption. Thus would be brought about the gradual return of both farmers and city workers to balanced levels of production and consumption.  
(See Chart 1)

The type of price rise associated with the removal of our formerly exportable surpluses could contribute directly to this process of mutual increase in farm and city purchasing power. The type of price rise associated with scarcity and hence unaccompanied by any considerable volume of sales could not, since farmers who have little to sell and city workers whose incomes have not risen with prices both suffer in times of scarcity.

The recent movement of food prices reflects the action of two forces. The AAA and other programs, beginning in 1933, have over twenty-one months made demonstrable progress by removing surpluses in securing the type of increasing returns to the farmer which increase his purchasing power and hence help the city worker to earn the dollars he pays out for food. The drought of 1934, by causing shortages in important items of the country's food supply, has in the course of the last few months raised the farm prices of reduced supplies of a number of products and is still exerting on food prices the types of leverage associated with shortage.



As indicated above, retail food prices are still below their level during the first year of the depression. Given normal weather in 1935 and 1936, supplies of the drought-reduced commodities would be replenished, and price adjustments then would take place. The recent improvement in prices to producers could be maintained in the face of normal weather and increased production only through increased urban purchasing power. Proper balance between city and farm calls for increased employment and city purchasing power, accompanied by farm output for adequate domestic consumption at fair prices to producers.

The following pages contain material on the actual course which food prices have taken, the relative effects of the drought and the adjustment programs on changes in price, the difference which changes in price have made to the farmer and to the consumer, and the current situation with regard to urban purchasing power.

#### THE COURSE OF FOOD PRICES

The actual course which food prices have recently taken is given by the Bureau of Labor Statistics. The figures cover prices on 42 articles of food sold by all types of retail food dealers in 51 cities; they are weighted in accordance with the expenditures of wage earners and low salaried workers.

On March 15, 1933, food prices averaged 90.5 percent of the prewar level. That was 60% lower than on March of 1930. They advanced to 122% on February 26, 1935, after which the advance halted, with declines in some items offsetting advances in others. Just as some groups of food items declined more in price since 1930 than did others, some groups have risen more than others during the past two years. But all of them are still noticeably below their 1930 levels, as shown in the following table:



Index Numbers of Retail Prices of Food  
(1913 = 100.0)

	1930 Mar. 15	1933 Mar. 15	1934 Mar. 15	1935 Mar. 15
All Foods	150.1	90.5	108.5	121.7
Cereals	160.9	112.3	143.4	151.1
Meats	183.0	100.1	109.1	149.6
Dairy Products	137.6	88.3	102.3	113.3
Eggs	102.3	57.4	71.6	84.6
Fruits and Vegetables	195.3	92.7	136.6	117.7
Miscellaneous Foods	126.3	83.2	88.0	100.7

CAUSES OF RECENT FOOD PRICE CHANGES

Two outstanding causes of the recent changes in prices received by farmers and food prices paid by consumers, which have exerted varying degrees of influence on the various commodities, are the various recovery programs and the drought of 1934. Three-fifths of the rise took place during the first year of recovery; two-fifths during the second. During the first year the rise in prices was chiefly due to monetary and industrial recovery programs; during the second year chiefly to the adjustment programs and the drought.

There were adjustment programs, other than the drought relief program, in effect:

- In the cereals group, on wheat, field corn and rice,
- In the meats group, on hogs only,
- In the dairy products group, only on fluid milk in certain milksheds. (The Federal Surplus Relief Corporation's butter purchases sustained prices in 1933 and to a less extent in 1934)
- In the eggs group, no program,
- In the fruits and vegetables group, about 20 marketing agreements,



In the miscellaneous foods group, a program for sugar and some half dozen marketing agreements covering other products.

The difference in the geographic centers of production of these various commodities accounts for the difference in the extent to which their yields were affected by the drought which spread from the west north central states until 1,187 of the nation's 3,100 counties were designated as emergency areas, and 262 more were designated as areas where secondary, though still serious damage had been done.

The effect of the drought and the AAA programs on the production of cereals may be gathered from the following figures:

Item	Unit	Normal Production	1934	Reduction Below Normal
		(1928-1932) (1,000)	Production (1,000)	in 1934
Corn	Bu.	2,562,147	1,380,718	1,181,429*
Barley	"	283,145	118,929	164,216
Rye	"	38,655	16,040	22,615
Oats	"	1,217,668	528,815	688,853
Wheat	"	860,228	496,469	363,759*
Hay (all)	Tons	80,216	56,690	23,526

(\* Of the total reductions indicated, the drought was responsible for about four-fifths and the adjustment programs for about one-fifth of the reduction in wheat and corn; the reductions in the other commodities, for which no control programs existed, were due solely to the drought.)

The fact that prices of foods in the cereal group have not risen to higher levels than at present in spite of these unprecedentedly low yields, is due to the existence of carryovers from past seasons.

#### THE EVER-NORMAL GRANARY

The drought of 1934 brought home the importance of carrying over enough grain from one season to the next to insure adequate supplies in case of partial



crop failure. The carryovers of the last decade, however, were not accumulated with this sort of insurance in view. They were accumulated because of the loss of the country's markets for farm exports, and their price-depressing effects were ruinous to the farmer. It is consequently necessary to put into operation a plan which at one and the same time will insure the consumer against scarcity, keep the carryover from overburdening the farmer and enable the Government to return to producers any surpluses that it might temporarily accumulate. A plan of this sort has been advocated for years by Secretary Wallace; it is contained in one of the amendments to the Agricultural Adjustment Act now before Congress.

Insurance of adequate supplies to replenish present shortages, with insurance to the farmer that he shall not suffer unduly in case the weather in 1935 should prove particularly favorable has also been the background of the recent relaxations of adjustment programs for 1935.

#### THE REPLENISHMENT OF DROUGHT SHORTAGES

The 1935 corn-hog program allows planting of corn up to 90 percent of the base acreage, an increase of about 1/8 over the 1934 maximum, and production of hogs for market from 1935 litters up to 90 percent of the base, an increase of about one-fifth. Wheat production has been raised from 85 to 90 percent of the base, and on March 20, in view of moisture deficiencies in parts of the winter wheat areas, virtually all restrictions on spring wheat planting were removed. While the size of the 1935 wheat crop is still very uncertain, it seemed advisable to guard against another drought. In accepting this modification of their contracts, farmers agree to accept comparable restrictions next season should the wheat situation then make it necessary.

In announcing this modification of the spring wheat program the Secretary of Agriculture said:



"We decided the Government and the farmer owed a duty to the consumer. We believe also that the Government and the consumer owe a duty to the farmer in case the weather proves to be unusually favorable. Both concepts are very important concepts: The duty of the Government and the farmer in case of drought to have enough to take care of the consumers' needs and the duty of the consumer and the Government in case of unusually favorable weather to protect the farmer against the effects of piling up of undue surplus."

The most acute problem of the drought was a problem in the relationship between existing animal numbers and available feed supplies. Government action was taken both in regard to animal numbers and in regard to available feed.

#### THE CONSERVATION OF FEED

In order to make the best possible use of existing feed supplies, a Federal Livestock Feed Agency was established at Kansas City to serve as a clearing house of information as to where supplies of feed and pasture were available outside the drought area.

The commodity adjustment programs considerably increased the quantities of feed available, particularly in the cotton and tobacco regions where the drought was less severe, because the contracted acreage not planted to these surplus commodities,(15,000,000 acres of cotton and 500,000 acres of tobacco land, 13,000,000 acres of corn land and 8,000,000 acres of wheat land), was largely planted in feed crops and pastures.

As the drought grew worse, the planting of emergency feed crops on contracted acres was progressively encouraged; 88.6 percent of the above listed acres were finally so planted, with a resulting gain of thousands of tons of hay and roughage to alleviate the feed deficiency.

With a view to insuring an adequate seed supply for 1935, the government by December 1, 1934, had bought a supply of 18,988,000 bushels of seed grain of



superior quality to insure its being on hand for deficient areas in the coming season, and carried out other measures calculated to conserve supplies.

The 1935 corn-hog program restrictions on the planting of corn have encouraged the planting of other feed crops which will mature considerably in advance of the corn crop, and thus contribute when most needed to the current feed supply. It should be noted that the little pig slaughter of 1933, and the effect of the 1934 corn-hog program in reducing the spring pig crop, by reducing the ratio of animal numbers to feed supplies before the drought began, not only prevented a glut of marketings in 1934, but saved some 60-75 million bushels of corn that would have otherwise been consumed. The corn loans, moreover, held over from the 1933 season 270,000,000 bushels of corn. This amount was larger than the amount kept out of cultivation by the 1934 control program.

In spite of this concentration of effort, however, the drought created an unprecedented reduction of feed supplies from the 1934 harvest. The corresponding reduction in animal numbers which the feed shortage made necessary brought the total livestock of the country down about 13 percent, a decrease more than twice as large as any in the 45 years for which records exist.

#### DROUGHT EFFECT ON CATTLE

Cattle decreased by some 7,600,000 head, though there are still some 4,000,000 head more on farms than in 1928, the low point of the current cattle cycle. None of this reduction was due to a government commodity control program. Sheep decreased by about 2,446,000 head; the 49,766,000 remaining was the smallest number since 1929. None of this reduction was due to a commodity control program. Hogs decreased by more than 20,000,000; in January 1935, the 37,000,000 hogs on farms constituted the smallest number in 50 years. In the autumn of 1933, the government emergency slaughter removed 6,200,000 pigs from the farms; the 1934



corn-hog program provided for a reduction of 13,600,000 or 55 percent of the reduction that actually took place. It is however estimated that had there been no control program the drought would have necessitated a reduction about as large as that which took place. This is not generally recognized, but the fact is that had the little pigs not been slaughtered in September 1933, they would have been consumed in 1934 and the intense drought would have forced an emergency marketing program for hogs such as had to be adopted for cattle and sheep. From the consumers standpoint, this would have meant a supply and price situation practically no different from that which now prevails.

#### CONSERVATION OF MEAT

The Agricultural Adjustment Administration, the Federal Emergency Relief Administration and the Farm Credit Administration stepped into this drought emergency to save as much as possible of the basic livestock population needed for future production, to conserve for consumption as much as possible of the cattle that had to be slaughtered and to supply farmers with cash so that they might rebuild their herds. The orderly marketing of this enormous slaughter was facilitated by the Government drought relief program, under which a great deal of stock was saved from dying on the range or being sacrificed at very low prices. By January 1, 1935, the Government had purchased 7,815,026 head of cattle at a cost of \$102,744,455; and 3,647,818 sheep and goats at a cost of \$7,136,310. About 17 percent of the cattle were condemned as unfit for food. The remainder were taken in charge by the Federal Relief Administration, which processed locally a sufficient supply for local needs and shipped the rest for use elsewhere. Many of the latter cattle were not slaughtered at once; 1,533,500 head were shipped to graze in states where pasturage existed, with the result that the amount of available meat was increased while pressure or packing facilities was diminished.



DISTRIBUTION OF MEAT

The quantity of meat, beef and veal, pork, lard and mutton, distributed by the Federal Surplus Relief Corporation, as compared with the normal annual United States consumption of those meats, was as follows:

Most Important Farm Products Distributed by the  
Federal Surplus Relief Corporation

Commodity	<u>Quantity</u> <u>Distributed</u> <u>Oct. 1933-Jan. 1935</u> <u>Inclusive</u>	<u>Normal U. S.</u> <u>Annual</u> <u>Consumption</u>
		Millions of lbs.
Beef and veal	402	7,000
Pork	293	8,800
Lard	24	1,800
Mutton	1.6	850
Total	720.6	18,450

/1 As actually distributed, the meats in this column included boned and canned meats, and sausage. For the purpose of comparison, the various types have been converted to their fresh meat equivalents.

/2 Quantities required for 125,000,000 people at the annual per capita level of consumption which prevailed from 1928-29 to 1932-33.

Thus almost 4 percent of the normal annual United States requirements of these meats was distributed in such a way as to increase the level of consumption of those on relief.

Figures on consumption in 1934 given out by the American Institute of Meat Packers show that the consumption of meat in 1934 was 20 billion pounds as compared with a consumption of 18 billion pounds in 1933, and that the per capita consumption was greater than in any year since 1907. In 1934 the average American ate 68 pounds each of pork and beef, 11 pounds of veal and 6 of lamb, a total of about 2/5 pound per person per day. These figures will not be maintained in 1935. On the other hand, if the weather in 1935 returns to normal, larger supplies of feed will be available and an upward adjustment of the livestock population will



get under way,

#### THE FARMER'S INTEREST IN PRESENT FOOD PRICES

The importance of food prices to the farmer is self-evident; he is the nation's specialist in food production, and his income, with only two important exceptions in cotton and tobacco, is derived from sales of products contributing to the nation's food supply.

His interest in the retail prices of food, moreover, is sharpened by the fact that distribution costs for any one type of food are more or less constant from year to year, so that a small rise in the price of food to the consumer may mean a large percent of increase in the farmer's returns, and conversely, a small decrease in retail price may mean a large percent decrease in the price at the farm.

The table below indicates the extent to which this is true in the case of a month's supply of 14 foods for a typical family:

Cost of Month's Supply of 14 Foods For Typical Family

	<u>1928</u>	<u>1929</u>	<u>1932</u>	<u>1933</u>	<u>1934</u>
Retail value	\$25.97	\$26.11	\$16.78	\$16.44	\$18.39
Distributor's margin	13.53	13.71	11.24	10.63	11.49
Farm value	12.44	12.40	5.54	5.81	6.90

The distributor's margin is generally a large share of the consumers dollar, and consequently the farmer's share of the consumer's dollar spent for food, varies with the commodity considered. The proportion taken for distributors costs is considerably greater for such commodities as fresh fruit and vegetables and package foods than for less perishable or less highly processed products. The farmer's share of the consumer's food dollar spent for 14 food items has varied as follows:



47.9	cents	in 1928
47.5	"	" 1929
32.0	"	" 1932
35.0	"	" 1933
37.5	"	" 1934
42.5	"	" January, 1935.

If the farmer's share for all food items bought by consumers were computed, it would probably be smaller still.

The farmer's interest in the retail price of what he has to sell is of course paralleled by the retail price of what he has to buy. While retail food prices advanced from 90 percent of the prewar level in March, 1933, to 122 percent in March, 1935, prices paid by farmers advanced nearly as much, from 100 percent in March, 1933, to 128 percent in March, 1935, as shown in the following table:



Prices Received by Farmers, Prices Paid by Farmers  
and Relative Purchasing Power

	<u>Prices Rec'd by Farmers</u>	<u>Prices Paid by Farmers</u>	<u>Ratio Prices Rec'd to Prices Paid</u>
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1933

January	60	102	59
February	55	101	54
March	55	100	55
April	58	101	57
May	68	102	67
June	71	103	69
July	83	107	78
August	79	112	71
September	80	116	69
October	78	116	67
November	80	116	69
December	78	116	67

1934

January	77	117	66
February	83	119	70
March	84	120	70
April	82	120	68
May	82	121	68
June	86	122	71
July	87	122	71
August	96	125	77
September	103	126	82
October	102	126	81
November	101	126	80
December	101	126	80

1935

January	107	126	85
February	111	127	87
March	108	128	84

By February, 1935, prices received by farmers reached 111 per cent of the prewar averages, but fell back to 108 per cent in March, with parity prices at 128 per cent. The relative exchange value of a unit of farm products is thus only 84 per cent of its prewar purchasing power.

The picture of the farm situation with regard to price, however, gives an incomplete impression unless viewed alongside of the picture of the farm situation with regard to volume. The part of the price rise of the past few months



which has been due to drought shortages has been the economic expression of the fact that the farmer has less than normal quantities to sell. In some of the drought areas, his quantities have been very much less than normal.

The maintenance of normal quantities is as important to the farmer as it is to the consumer. On the other hand, present levels of urban purchasing power would in all probability not support present prices for the drought-reduced commodities if normal quantities were available. For that reason, in view of renewed supplies in case the 1935 weather is normal, the farmer has the greatest interest in an increase of urban purchasing power.

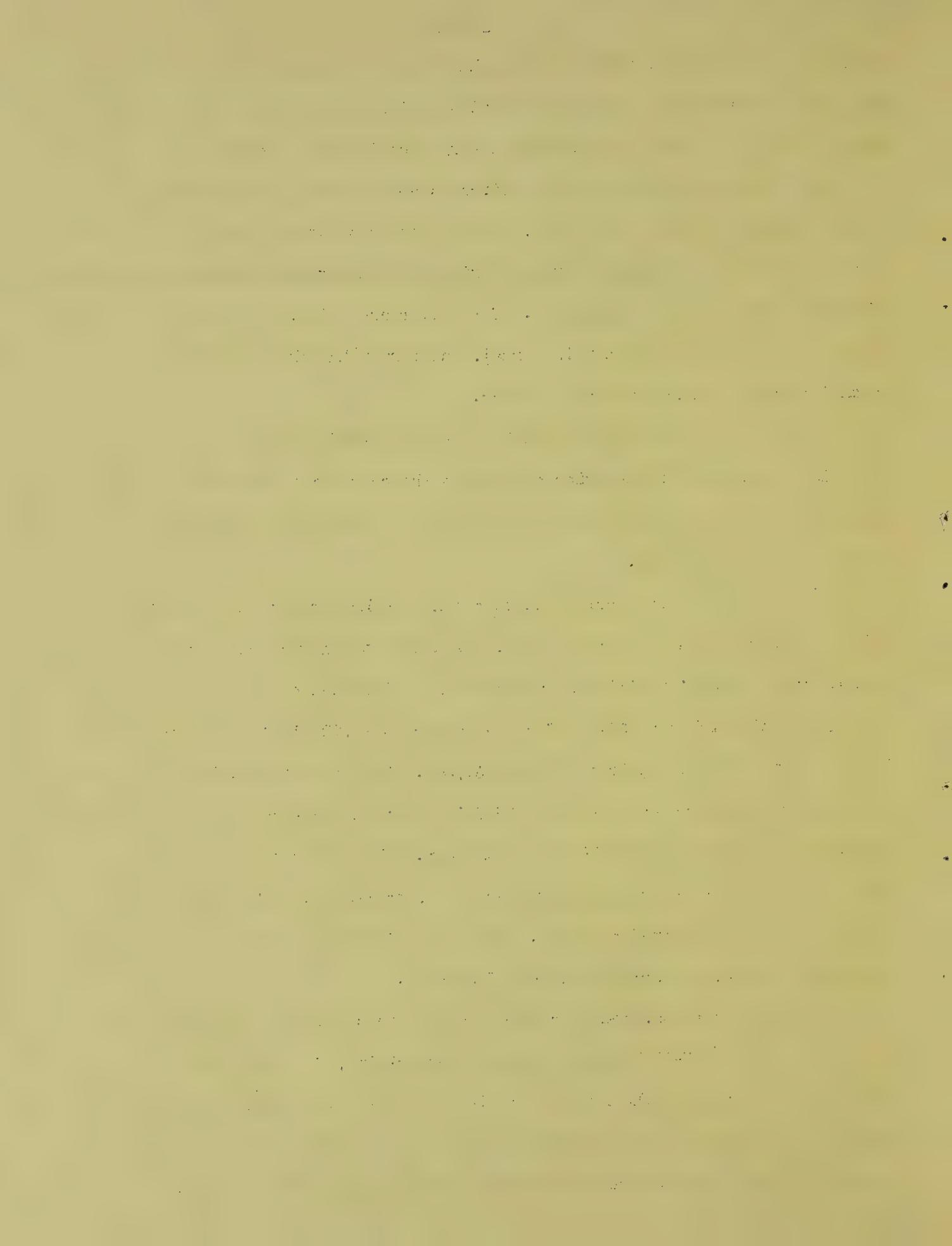
#### THE CONSUMER'S INTEREST IN PRESENT FOOD PRICES

The importance of the price of food to the consumer is shown by the fact that about a third of every dollar spent by wage earners and low salaried workers is spent for food.

The movement of food prices in relation to other prices in the consumer's budget is shown in the following table, based upon the actual budgets of 100 typical wage earners' families in a midwestern industrial city.

A budget which cost \$971 before the war cost \$1,720 in 1929; it cost \$1,181 in 1933, and at present prices it costs \$1,303. The food items which it contains would now cost \$435 as compared with \$353 in 1914; the non-food items would now cost \$863 as compared with \$618 before the war. The difference in the food costs is thus a rise of not quite 25 percent as contrasted with an increase of nearly 40 percent in non-food costs. The farmers' share of the food costs rose from \$201 to \$215, an increase of only 7 percent.

It should be remembered in connection with these budgets that the figures for 1914 and for 1933-35 have been obtained by pricing, for those years, the same articles for which the families studied actually spent their money in 1929, whereas under current supply conditions the actual purchases of such families probably include less meat and more fruits and vegetables than in 1929.



The detailed figures are as follows:

TYPICAL INDUSTRIAL WORKER'S FAMILY BUDGET

	<u>1914</u>	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>Feb. 1935 (3)</u>
Total Expenses	\$971	\$1,720	\$1,181	\$1,236	\$1,303
Food	353	556	331	375	435
Meat	58	104	53	65	89
Dairy Products	75	121	73	84	98
Eggs	22	37	19	19	24
Hens	5	10	5	6	7
Bread	38	54	42	48	48
Flour	7	10	7	10	10
Other (2)	148	220	132	143	150
	:	:	:	:	:
Clothing	130	211	167	181	178
Housing	219	389	200	192	200
Fuel & Light	59	103	85	87	87
House Furnishings	49	89	67	74	(
Miscellaneous	161	372	331	327	(403
	<u>1914</u>	<u>1929</u>	<u>1933</u>	<u>1934</u>	<u>Feb. 1935</u>

Percent of total budget spent for:

Food	36	32	28	30	33
Meats	6	6	4-1/2	5	7
Dairy Products	8	7	6	7	7-1/2
Bread & Flour	5	4	4	5	4-1/2

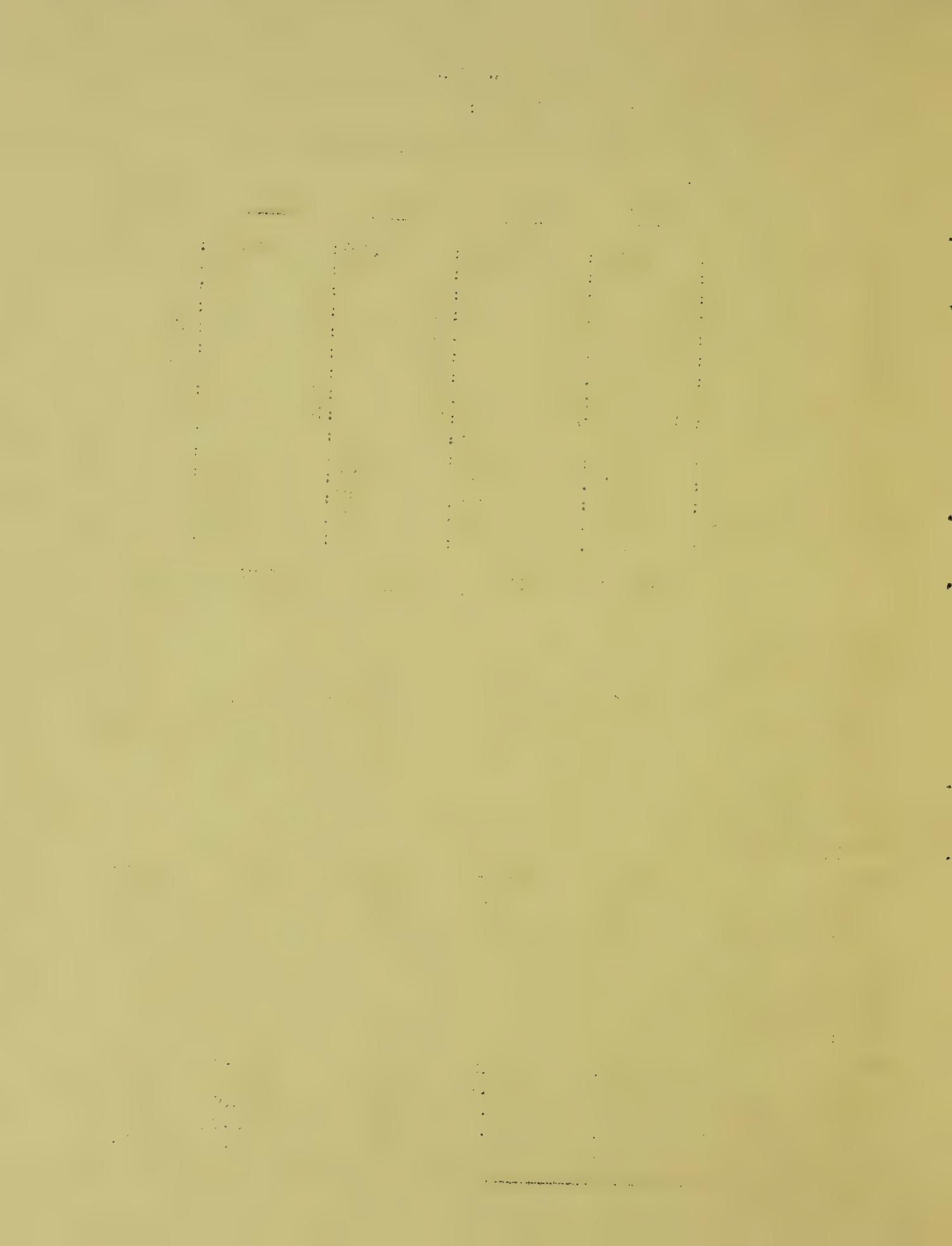
Farmers share of total budget spent for: (in dollars)

Food	\$201	\$279	\$125*	\$160*	\$215*
Meats	42	53	22*	33*	55*
Dairy Products	38	59	26	32	45
Bread & Flour	13	15	10	15	16

Farmers share of total budget spent for: (in percent)

Food	20.7	16.2	10.6	12.9	16.5
Meats	4.3	3.1	1.9	2.7	4.2
Dairy Products	3.9	4.3	2.2	2.6	3.5
Bread & Flour	1.3	0.9	0.8	1.2	1.2
Other foods	11.2	7.0	5.7	6.4	7.6

\* Includes tax



- (1) Estimates for 1914, 1933 and 1934 were compiled by use of weighted price changes and quantities consumed in 1929, as shown in detailed Bureau of Labor Study in June 1930 Monthly Labor Review.
- (2) Difference between distributed items and total.
- (3) Food expenditures for February 1935 estimated on basis of ratio of February prices to those for the year 1929, such ratio being applied to dollar expenditures in 1929. Other items than food estimated on basis of ratio of February 1935 National Industrial Conference Board index of cost of living to the average for 1934, such ratio being applied to dollar expenditures for 1934.

#### THE PRESENT COST OF LIVING

The relative heights of present prices for the various groups of commodities which make up the average consumer's budget can be shown by comparing costs in November, 1934, with costs in 1913. If the 1913 level is taken as 100, the November, 1934, level was 138.9 and the February, 1935, figure about 142. The levels of the various commodity groups, as compared to 1913 = 100, were:

	<u>November, 1934 1/</u>	<u>February, 1935 2/</u>
Food	114.7	121
Clothing	136.3	134
Housing	102.3	104
Fuel & Light	158.0	(
Household furnish.	169.5	(186
Miscellaneous	<u>195.9</u>	( <u>  </u>
Total	138.9	142

Except for rent, therefore, food is the lowest item in the list. The trend in rents, which has been downward ever since 1929, was reversed at the end of 1934. The National Industrial Conference Board's study of the cost of living for workers showed that the new rent contracts of January, 1935 ran about 7 percent above those of a year before, and Dun and Bradstreet report increases of residential rents of as much as 20 percent in some areas in the course of 1934. It seems probable that if increases to the degree indicated by these figures accompanied the rise in foods of 11 percent from July, 1934, to February, 1935, the pressure on the cost of living popularly attributed to the latter may have had a second cause.

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1/ Bureau of Labor Statistics

2/ Estimated



FOOD ITEMS ARE BELOW OTHER ITEMS

In considering the recent rise in food prices, it should not be forgotten that the American public has been accustomed, throughout the last decade and a half, to be supplied with food by the American farmer at a level of prices far below the levels of most of his other expenditures. In 1920, both foods and the total cost of an average budget attained a level about 200 percent of that of 1913. The total cost of living thereafter receded to a level of about 170-175 percent and remained at that figure during the years 1922-29, but food costs fell to 142 percent in 1922 and never regained the prewar relationship to the other items in the budget. In 1922, they were 16 percent below the general list; in 1929, 8 percent below; in 1933, 24 percent below; in 1934, 19 percent below; and at present about 14 percent below.

While foods are at present 14 percent below the general level of living costs, they are considerably more than that below the level of costs of goods and services other than foods and clothing and rent. The level of foods of 122 percent may be contrasted with clothing at 134 percent and with other groups of items that average about 186 percent. These other costs, including fuel and light, household goods and miscellaneous items of health, recreation, etc., take about as much of the consumer's yearly expenditures as do foods. In relation to their price levels (186) foods (at 122) are about 35 per cent below. In view of the fact that food prices have risen out of the depression depths to a more nearly balanced relation to the general cost of living, the question may well be raised of other items in the cost of living may not be the real ones that are relatively too high.



### THE FARMWARD MIGRATION

The farmer has not only been supplying food to the general American consumer at reduced rates for a period of nearly a generation; he has been boarding a part of the American public in person in the course of the past five years. The industrial plow-up, in putting millions of workers out of their jobs, turned the tide of migration back to the farms. Through the 1920's, migration had been from the farms to the cities at a net rate of about half a million a year. In 1932, there was a net migration of half a million from the cities to the farms. On January 1, 1929, there were 30,257,000 people on American farms. On January 1, 1934, there were 32,509,000. Through the depression, therefore, the farmer carried, out of his reduced earnings, a population which increased by 2-1/4 million people in 5 years. The reports of two and three families in a farmhouse or cabin, and the swelling rural relief rolls, are closely related to the strain on the farmer's resources which this exodus of city population caused. (See Chart 2) The situation is made graphic by the following table comparing prices, production and factory employment with their 1929 levels:

<u>Year</u>	<u>Agricultural Production /1 Prices</u>	<u>Industrial Production /2 Prices</u>	<u>Factory Employ. Pay.</u>	<u>Cost of Living</u>
1929	100	100	100	100
1932	81	46	61.2	79.6
January, 1933	85	41	57.4	75.7
January, 1934	88	56	69.9	78.9
January, 1935	92	74	75	81.9

/1 Factories processing agricultural products.

/2 Factories processing industrial products.



These data show very clearly the relative shares of the burden of the depression borne by agriculture and by industry. Agriculture took price cuts of 64 percent while industry took price cuts of 21 percent. As industry dismissed almost 40 percent of its employees, hundreds of thousands of them took refuge on the land. And since a third of the worker's expenditures normally goes for foods, the 57 percent cut in factory payrolls was directly felt on the farms.

#### URBAN PURCHASING POWER

It is primarily in relation to the payroll situation that the farmer's present prospects must be considered. The restoration of urban purchasing power is the necessary next step to improved prices for the farmer or any one else. That means re-employment. The capacity of the urban worker who has a job to pay the prices reflected in the present cost of living is shown by the following tables, which indicate that wage earnings per person employed in factories had a purchasing power in January, 1935, of 97.8 percent of their 1929 level in Philadelphia, 89 percent in Chicago, and 96.3 percent in Massachusetts, and for all factory employees throughout the country, 96 percent.

Purchasing Power of Wage Earnings per Person  
Employed in Manufacturing (1929 = 100)

	<u>Philadelphia</u>	<u>Chicago</u>	<u>Massachusetts</u>	<u>United States</u>
1929	100.	100.	100.	100.
1932	88.9	77.3	91.6	87
January, 1933	87.5	77.7	87.7	83
January, 1934	91.7	84.1	93.6	90
January, 1935	97.8	98.0	96.3	96

But against these figures should be set the fact that about 22 percent of the population that should be gainfully employed is unoccupied, and that some

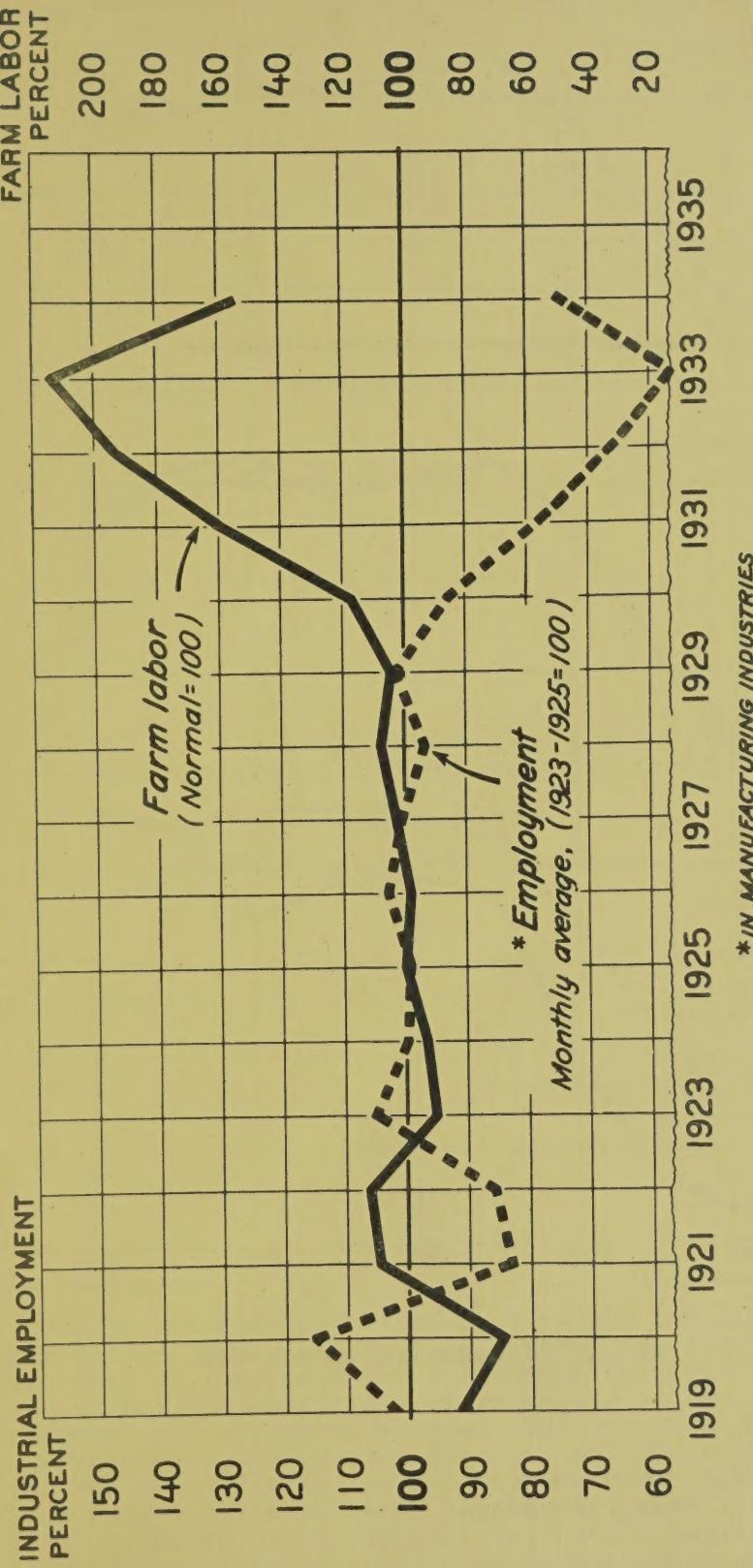


20 million persons are on relief. The price level, the cost of living, whether high or low, is to them a matter of little consequence, because they have no purchasing power except that provided by relief.

For the employed part of the population, prices and capacity to pay are in fair balance. But until urban purchasing power is increased by re-absorption of the unemployed into industry, farm prices will with difficulty remain at their present levels as more farm products are sent to market.



# Supply of Farm Labor and Industrial Employment Index Numbers, for March, 1919 to Date



U.S. DEPARTMENT OF AGRICULTURE

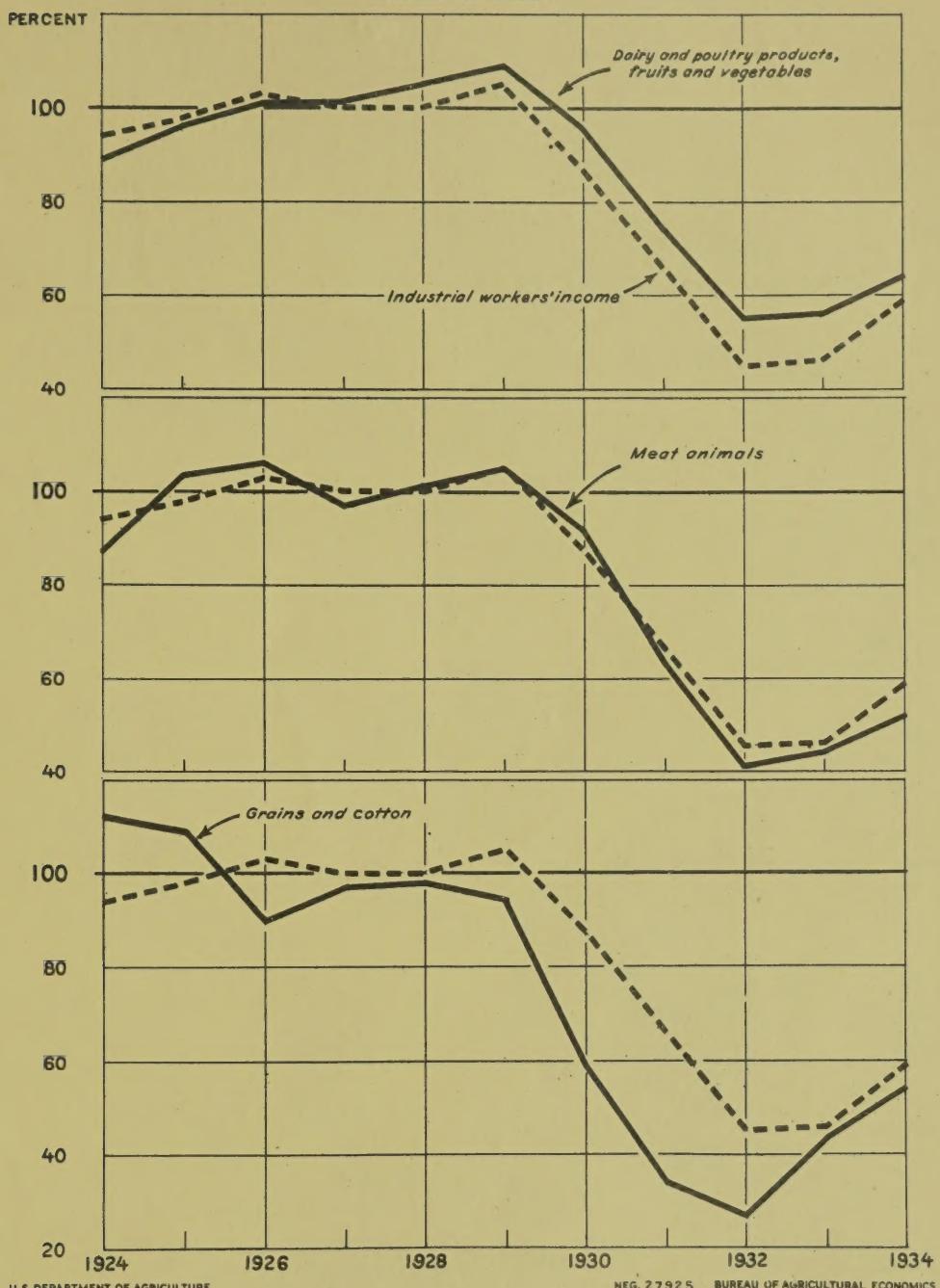
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MOUNTING UNEMPLOYMENT IN THE CITIES AFTER 1929 CREATED AN ABNORMAL SUPPLY OF LABOR SEEKING EMPLOYMENT ON FARMS. AS INDUSTRIAL EMPLOYMENT IMPROVED BETWEEN THE SPRING OF 1933 AND THE SPRING OF 1934, THE SUPPLY OF FARM LABOR WAS REDUCED IN PROPORTION. AS LONG AS INDUSTRIAL ACTIVITY AND UNEMPLOYMENT PREVAIL IN INDUSTRIAL CENTERS IT WILL SERVE NOT ONLY TO MAINTAIN A LARGE FARM LABOR SUPPLY BUT ALSO TO INCREASE AGRICULTURAL PRODUCTION, DECREASE INDUSTRIAL DEMAND AND, THEREFORE, CHECK AGRICULTURAL IMPROVEMENT.



# INCOME OF INDUSTRIAL WORKERS AND CASH INCOME FROM FARM PRODUCTS

1924-1929=100 PERCENT



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DURING THE PROSPERITY YEARS 1924-1929 THE GROSS INCOME FROM EXPORT CROPS (GRAINS AND COTTON) DECLINED WHILE INCOME FROM MEAT ANIMALS AND OTHER FARM PRODUCTS PRODUCED LARGELY FOR THE DOMESTIC MARKETS SHARED IN THE STABLE LEVEL OF INCOME OF INDUSTRIAL WORKERS. THE INCOME FROM INTERNATIONAL PRODUCTS FELL MUCH MORE SHARPLY IN 1930 AND TO A MUCH LOWER LEVEL IN 1932 THAN DID THE INCOMES FROM OTHER PRODUCTS. SINCE THEN, THEY HAVE SHOWN GREATER RECOVERY. THIS HAS SERVED TO STIMULATE INDUSTRIAL ACTIVITY AND INDUSTRIAL PAYROLLS WHICH IN TURN HAVE INCREASED THE RETURNS ON THE PRODUCTS PRODUCED LARGELY FOR THE DOMESTIC MARKETS.

